Minnesota Department of Commerce Division of Energy Resources
Distributed Generation stakeholder process comments – Nov. 2, 2012

Dear Mr. Grant:

Fresh Energy appreciates the opportunity to participate in the Minnesota Department of Commerce's (the Department) distributed generation (DG) stakeholder process, which we support. We are grateful for the chance to offer comments regarding immediate next steps in this process.

Stakeholder contributions to date have demonstrated that there is clear customer demand for distributed generation, owing in no small part to the real economic and social benefits that distributed generation provides. Yet distributed generation deployment remains an incredibly small portion (a fraction of a percent) of Minnesota's electricity generation, both statewide and within the context of individual utility consumption and generation portfolios. This suggests that the current distributed generation rules are not workable for all stakeholders and requires near-term and long-term solutions.

Near-term solutions. Toward that end, Fresh Energy urges the Department to build upon the outcomes of these meetings in developing near-term fixes to policies unnecessarily limiting distributed generation deployment. Though high penetrations of distributed generation will eventually present credible obstacles – notably technical and utility business model-related - requiring attention, Minnesota is not even close to those levels of deployment. Greater distributed generation deployment is required to better understand challenges specific to Minnesota markets and conditions, but existing rules are prohibitive to gaining that experience.

Drawing on the body of common understanding developing in the stakeholder process, those near term changes should include:

a. **Third party ownership allowance and guidelines.** Current Minnesota rules are ambiguous regarding third-party ownership of distributed generation systems. Other states provide developers clear rules that specifically allow for third-party ownership and leasing, and guidelines regarding whether they will incur standby fees or be eligible for utility-specific incentives. Rules among utilities in Minnesota vary substantially, creating uncertainty and financial risk, in turn presenting difficulty for project financing.

b. **Expand net metering benefits to larger ratepayers .** The existing net metering cap of 40kW is among the lowest in the nation, is technologically and precedentially out of date, and serves as a barrier to higher levels of distributed generation. Without modifying the system cap for residential and small commercial customers, the state should increase
c. the system cap so that larger commercial, industrial, and institutional customers can satisfy their annual energy use with on-site distributed generation, too.

d. **Meter aggregation.** Minnesota rules should allow a single customer with load across several contiguous or nearby properties to aggregate that load when determining the net metering size cap. This will streamline the number of transactions to the utility, as well as allow the customer to take advantage of economies of scale in securing favorable technology pricing and financing.

e. **Expand solar accessibility through community ownership.** Minnesota should enable ratepayers who do not own property, or whose property has a relatively poor solar

resource, to own part of an off-site solar PV installation and receive a share of the production credits on their utility bill.

f. **Non discrimination**. Minnesota rules should require utilities to provide customers that have distributed generation with electric service at nondiscriminatory rates that are identical, with respect to rate structure, rate components, and monthly charges, to the rates the customer would be charged if they didn't have any distributed generation, including choice of retail tariff schedules such as time of day.

g. **Revised interconnection standards.** Fresh Energy supports adoption of nationally developed and-recognized interconnection best practices, and supports the specific recommendations made by Minnesota Center for Environmental Advocacy on this topic.

2) Longer-term solutions. Additionally, as the state and its utilities gain experience with increasing penetrations of distributed generation, the Department should adopt the following steps:

a) **Identify Minnesota distributed generation benefits and identify what, if any, rate class subsidization issues DG presents.** At the October net metering workshop, the Rocky Mountain Institute and Regulatory Assistance Project presenters gave several examples of study efforts across the country to establish the value of distributed generation. Fresh Energy notes that these studies include conclusions that net metering can provide net benefits to the electricity system, customers and society. We recommend a Minnesota study identifying benefits from DG, including an examination of what, if any, rate class subsidization issues exist for distributed generation customers, and if subsidies do exist, complete an assessment of the comparative magnitude to other customer electricity profile differences in the same rate class.

b) **Set distributed generation milestones, and develop stakeholder processes each time the state reaches those milestones to address emerging technical and business model issues.** As Minnesota gains experience with distributed generation, it will become increasingly important to understand how distributed generation impacts the distribution system. The Department should set DG penetration milestones at which a stakeholder process is reconvened to evaluate its impact and revise policies if needed accordingly. Moreover, the Department should design stakeholder processes to evaluate potential solutions to the future need to align customer investment in energy production with utility business models. However, again, considering the current exceedingly modest levels of distributed generation in Minnesota, this stakeholder process should not preclude near term action to modify the state's existing net metering law.

Buy All Sell All. Xcel's proposed "Buy All Sell All" approach lacked sufficient detail for extensive analysis. Broadly, Fresh Energy believes that distributed generation policy changes should accomplish the following goals:

- Minnesota should seek policy changes that will make the state a national leader on distributed generation issues, consistent with its past role in renewable energy policy;
- Quantify the value the distributed generation provides to the utility and compensate accordingly;
- Increase transparency and establish a clear set of rules customers can use to understand and manage their power generation and consumption;
- Enable cost-effective distributed generation business models to thrive in Minnesota.

We look forward to learning more and working with Xcel to continue development of a proposal that will meet stakeholder needs.

Sincerely,
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